

EXHIBIT 5

City of Detroit, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
(UNAUDITED)

- General Fund deficit reduction efforts resulted in the following positive results when compared to the year ended June 30, 2011: (1) \$20.0 million reduction in salaries for the year ended June 30, 2012 due to 10% pay cuts, attrition, and layoffs, (2) \$31.5 million reduction in pension costs due primarily to improved market performance, which lowered the Police and Fire Retirement System contribution rate by 12.2%, and negotiated changes to the contribution requirements such as increased smoothing (increase in number of years to spread out changes in the pension fund for funding), multiplier reductions and elimination of the cost of living, and (3) \$17.5 million reduction in litigation costs mainly due to the reduction of large payouts and high risk cases. The failure to negotiate satisfactory contracts with the City's unions and achieve personnel reductions to reduce salaries and benefit costs during the last half of the fiscal year adversely impacted the City's deficit reduction efforts in 2012.
- The General Fund had liquidity problems at June 30, 2012. The budgetary challenges, economic uncertainties, accumulated deficit in the General Fund, and debt ratings below investment grade affected the City's ability to access credit markets as the City needed the State's assistance to borrow. On March 29, 2012, the City borrowed \$80.0 million with assistance of the State of Michigan through the Michigan Finance Authority. The proceeds were used to pay \$36.9 million of debt service on the City's limited tax self-insurance bonds due in April and May 2012 with the remainder set aside to pay for the City's self-insurance claims such as litigation and workers' compensation costs. In addition, the City's General Fund borrowed a total of \$92.2 million from other City funds such as the Risk Management, Solid Waste, and Street funds to provide additional liquidity for the year ended June 30, 2012. Also, due to lack of cash, the General Fund owed the General Retirement System \$8.6 million, Police and Fire Retirement System \$51.9 million, and Benefits Fund \$37.7 million at June 30, 2012. On August 23, 2012, the City issued \$129.5 million of limited tax general obligation bonds, at a premium of \$9.1 million, with maturities extending to November 2032, again with the assistance of the State through the Michigan Finance Authority (see details above). The General Fund's cash and investments totaled \$59.8 million at June 30, 2012 compared to \$73.7 million at June 30, 2011. The City's cash position declined because of continuing deficits in annual operations.
- The General Fund Public Lighting Department revenue increased \$14.5 million in 2012 from 2011 due to the collection of \$15.2 million from the Detroit Public Schools which mainly were delinquent collections, some of which were reserved as uncollectible in 2011. This also had a positive impact on the adjustment for the allowance for uncollectible receivables due to the collection of prior year receivables.
- For the year ended June 30, 2012, the City recorded \$84.0 million in liabilities due to Wayne County for estimated chargebacks/recoveries of uncollectible delinquent property taxes. Wayne County has been providing the City with payments for the purchase of current year delinquent taxes every year since 2004. In the current year, the County will chargeback to the City prior year taxes purchased that it determines to be uncollectible. For the year ended June 30, 2011, the liability totaled \$88.4 million. The \$4.4 million decrease in the liability for the year ended June 30, 2012 was due to improvements in county collections.